

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 7109**

**BILL NUMBER:** HB 1280

**NOTE PREPARED:** Jan 20, 2014

**BILL AMENDED:**

**SUBJECT:** Land banks and tax sale issues.

**FIRST AUTHOR:** Rep. Clere

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill has the following provisions:

*Land Banks:* The bill authorizes a county, consolidated city, or second class city to which the unsafe building law applies to establish a municipal corporation known as a land bank to manage and improve the marketability of distressed real property in the county or city that establishes the land bank.

*Tax Sales:* It provides that if a county executive acquires a certificate of sale because real property on the tax sale list failed to sell at the tax sale and the real property is located in the territory of a land bank, the county executive shall offer to assign the certificate of sale to the land bank at no cost.

The bill changes the calculation of the amount required to redeem real property sold at a tax sale. It provides for the distribution to a land bank of all or part of the redemption interest paid to redeem property sold at a tax sale.

The bill shortens the period during which a person who holds a tax sale certificate must apply for a tax deed.

*Look Back Period:* It provides that a land bank is entitled to a share of the property taxes attributable to real property sold by a land bank during a look back period.

*Unsafe Building Fund:* The bill provides that money held in an unsafe building fund may be used for the operation of a land bank.

**Effective Date:** July 1, 2014.

**Explanation of State Expenditures:** *State Board of Accounts:* The bill will have minimal fiscal impact on the State Board of Accounts, which would annually audit land banks.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Foreign Business Associations:* County treasurers and county auditors should be able to complete the requirements of this bill within existing resources. The bill prohibits certain entities from purchasing certain properties at tax sale. Prohibited entities would include (1) a foreign business association (out of state or out of country) that is not registered with the Secretary of State; (2) a foreign business association that is registered with the Secretary of State, but is not in good standing, and (3) agents of those entities.

If an entity purchases property that the entity was not eligible to purchase, the sale of the property is subject to forfeiture. The county treasurer would have to notify the entity in writing that the sale is subject to forfeiture if the entity does not obtain the proper credentials. If the sale is forfeited and the property is redeemed from the sale, the county auditor shall deposit the amount of the redemption into the county General Fund and notify the county executive of the redemption.

*Report:* On or before March 1 of each year, a land bank shall deliver a report to the county auditor and the county treasurer of the county in which the land bank is located that shows for each parcel of real property sold or otherwise conveyed by the land bank during the look back period associated with the year: (1) the year in which the parcel was sold or otherwise conveyed by the land bank; (2) the parcel number and street address of the real property; and (3) the grantee of the conveyance.

The land bank should be able to complete and submit the report within existing resources.

**Explanation of Local Revenues:** *Summary:*

*Land Banks:* The bill will have an indeterminate fiscal impact on local government based on the decision of eligible units to establish land banks and the efficiency with the land banks are operated. The land bank would receive revenue from the sale of property located in its territory, from the unsafe building fund, and from interest and fees from property in its territory that is redeemed.

*Tax Sales:* Under the bill, land banks would have the opportunity to acquire additional property either through (a) its eligible unit when it is first established; (b) the county executive who would assign parcels that were not purchased at a tax sale; (c) property for which the purchaser failed to file for the tax deed on time; (d) a potential increase in available property at a tax sale because of a decrease in interest and fees allowed the purchaser of the property. If the property is developed, this would add to local revenues.

In cases where the county executive would assign tax sale certificates to land banks, if the property is redeemed, the redemption amount would be paid to the land bank. If not redeemed, the land bank would acquire title to the property and all taxes, special assessments, interest, penalties, and the cost of the sale would be removed. These revenues would not be collected by the taxing units that would receive them under current law. However, to the extent that these tax revenues would not have been otherwise collected or that the land bank is effective in returning property to collectable status, overall collected tax revenue could increase for the taxing units.

The land bank would also be eligible to receive a portion or all of the fees, as applicable, that previously went

to the purchaser of tax sale property.

Under this bill, with one exception (if the property is redeemed in the sixth month), property that is not vacant or abandoned could cost slightly less to redeem if redeemed within the first seven months after a sale. The cost to redeem non-vacant property after seven months would increase as would the cost to redeem vacant or abandoned property after 2 months.

Shortening the period during which a person who holds a tax sale certificate must apply for a tax deed from six months to 30 days could encourage more bidders to bid at tax sale and reduce the number of speculators that bid. On the other hand, it could make more property available to the county executive owing to an increase in purchasers who failed to file for the tax deed on time thereby terminating their lien against the property.

*Look Back Period:* This would increase the revenues to land banks while reducing those to local taxing units.

*Unsafe Building Fund:* Financing land bank operations through this fund would result in relatively less money for other programs that are also financed through the fund.

*Unsafe Building:* This bill permits an enforcement authority for the unsafe building law to file a praecipe for a sheriff's sale following a foreclosure action if: (1) the creditor does not file a praecipe within 90 days; and (2) the enforcement authority has issued an abatement order. This would permit the enforcement authority to act more quickly as current law allows the creditor up to 180 days to file a praecipe.

#### Additional Information

*Land Banks:* Under this provision, the legislative body of a county, a consolidated city or a second class city (eligible unit) may adopt an ordinance establishing a body corporate and politic, or directing the executive of the eligible unit to organize a nonprofit corporation to manage and improve the marketability of distressed real property located in the territory of the eligible unit. Known as a land bank, this entity would be permitted to acquire, lease, improve, repair, renovate, and sell or transfer property that will be returned to productive, tax paying status. Land banks would also be permitted to issue debt. The City of Indianapolis has a land bank that was created to acquire abandoned, tax delinquent and other problem properties and makes them available to non-profit developers and the general public.

Within six months after an eligible unit has established a land bank, the eligible unit shall furnish the land bank with a list of real property that is located in the territory of the land bank, for which the eligible unit holds a tax sale certificate or a tax deed that is not committed to a redevelopment project or for another purpose. The eligible unit shall offer to assign the tax sale certificates and convey the real property described on the list to the land bank at no cost to the land bank.

*Tax Sales:* Under current law, if the property is redeemed after a tax sale, the redemption amount is equal to:

- 1) 110% of the minimum bid or 115% of the minimum bid if later than 6 months after the sale ; plus
- 2) The excess purchase price over the minimum bid plus 10% per annum; plus
- 3) All taxes and special assessments paid by the purchaser after the sale plus interest at 10% per annum.

If the property is offered for sale and an amount is not received equal to or in excess of the minimum sale price the county executive acquires a lien in the amount of the minimum sale price. The county executive may sell the property at less than the minimum sale price, transfer it to a nonprofit group, or if the parcel is declared to be vacant sell it in accordance with the current statute.

Under current law, the purchaser receives all of the fees and interest when the property is redeemed. If the property is not redeemed and the redemption period expires, the purchaser has six months to apply for the deed to the property.

This bill makes the following changes to take effect after June 30, 2014:

1) If the property is redeemed, the redemption amount would equal the total purchase price plus all taxes and special assessments paid by the purchaser after the sale plus:

- a) 1.5% per month if the property is not vacant or abandoned; or
- b) 5% per month if the property is vacant or abandoned.

2) The purchaser would receive 50% of the interest and fees if the property is redeemed after a county tax sale and the property is located in the territory of a land bank; the land bank would receive the remaining 50% of the interest and fees. If the property is not located in the territory of the land bank the county would keep the amount allocated to the land bank to manage the vacant or abandoned housing in the county. If the county executive assigns the property to the land bank, all the interest and fees would be forwarded to the land bank.

3) The bill also shortens the period from six months to 30 days during which a person who holds a tax sale certificate must apply for a tax deed.

4) Under this bill, before assigning the property to any other entity, the county executive would be permitted to assign tax sale certificates at no cost to a land bank. If the property is redeemed, the redemption amount would be paid to the land bank. If not redeemed, the land bank would acquire title to the property and all taxes, special assessments, interest, penalties, and the cost of the sale would be removed.

*Look Back Period:* A land bank would be entitled to receive an amount equal to 25% of the remainder of the part of the taxing body's distribution of property taxes that is attributable to real property sold or conveyed by a land banks during the look back period associated with the year of distribution minus the portion of the property taxes: (a) levied for debt service, including lease rental payments; (b) imposed on real property that is part of a brownfield plan; (c) authorized by a referendum; or (d) allocated for use in an allocation area.

**State Agencies Affected:** State Board of Accounts

**Local Agencies Affected:** County treasurers; County auditors; Counties, Second class cities; City of Indianapolis

**Information Sources:** [www.indy.gov/landbank](http://www.indy.gov/landbank)

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